

MONSANTO



863790001

Mary M. Shaffer
Assistant General Counsel – Environmental
Direct Dial: (314) 694-3883
FAX: (314) 694-2920
E-mail: molly.m.shaffer@monsanto.com

MONSANTO COMPANY
LAW DEPARTMENT
800 NORTH LINDBERGH BOULEVARD - E2NK
ST. LOUIS, MISSOURI 63167
PHONE (314) 694-1000
<http://www.monsanto.com>

November 26, 2003

Kedari Reddy
Assistant Regional Counsel
U.S. Environmental Protection Agency – Region 2
290 Broadway
New York, NY 10007-1866

DEC 1 2003

Re: Diamond Alkali Superfund Site
U.S. EPA's Notice of Potential Liability for Response Actions in the Lower
Passaic River, New Jersey

Dear Ms. Reddy:

Monsanto Company has received the U.S. EPA's letter of September 15, 2003 referenced above ("Notice"), regarding the Diamond Alkali Superfund Site ("Site"). During the meeting that U.S. EPA hosted on October 29, 2003, regarding this Notice, I understand that U.S. EPA indicated that it expected a response to this Notice by November 26, 2003. By this letter, I intend to clarify certain details regarding the corporate history of Monsanto and to offer Monsanto's response to the Notice.

The corporate entity that was known as Monsanto Company prior to March 31, 2000, is now called Pharmacia Corporation as a result of a name change filed on that date. Shortly after that name change, Pharmacia renamed a subsidiary that had been incorporated in February of 2000 from Monsanto Ag Company to Monsanto Company. In 2000, Pharmacia offered a portion of its ownership interest in Monsanto to the public and then in 2002 distributed the rest of its ownership interest in Monsanto to its shareholders. Consequently, Monsanto is now a publicly-held corporation with no corporate parent and has no direct connection to the Site.

In 1997, Old Monsanto (a term I use to refer to the pre-2000 entity that operated under the name of Monsanto Company, the entity now called Pharmacia) entered into a Distribution Agreement with Solutia Inc. related to the transfer of the certain operations, assets, and liabilities of Old Monsanto from Old Monsanto to Solutia. Under this agreement, Old Monsanto transferred the liabilities associated with the Site to Solutia. Solutia is a publicly-held corporation with no corporate parent.

Under the terms of Monsanto's separation from Pharmacia, Monsanto has certain secondary contractual obligations to Pharmacia related to the 1997 Distribution Agreement with Solutia and is authorized to act as Pharmacia's agent with regard to matters addressed by the 1997

November 26, 2003

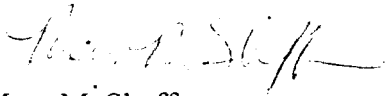
Kedari Reddy

Page 2

Distribution Agreement. Accordingly, Monsanto, on its own behalf and in its capacity as Pharmacia's agent with regard to matters addressed by the 1997 Distribution Agreement, declines to participate in a funding commitment for the financing of studies at the Site. We anticipate that Solutia will be responding to the Notice on behalf of Pharmacia pursuant to Solutia's obligations under the 1997 Distribution Agreement.

I am attaching an excerpt from our 2002 Form 10K that provides additional detail on the corporate history of Monsanto as it relates to Solutia and Pharmacia. If you have any further questions regarding this matter, please do not hesitate to call me.

Sincerely,



Mary M. Shaffer

Encl.

cc Cathleen S. Bumb, Solutia Inc. (via e-mail)
J. William Whitlock, Pharmacia Corporation (via e-mail)

863790002

2002

FORM 10-K
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

(MARK ONE)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended Dec. 31, 2002

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 001-16167

MONSANTO COMPANY

(Exact name of Registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of
incorporation or organization)

43-1878297

(I.R.S. Employer
Identification No.)

800 NORTH LINDBERGH BLVD., ST. LOUIS, MO

(Address of principal executive offices)

63167

(Zip Code)

Registrant's telephone number, including area code (314) 694-1000

Securities Registered Pursuant to Section 12(b) of the Act:

Title of each class
Common Stock \$0.01 par value

Name of each exchange
on which registered
New York Stock Exchange

Securities Registered Pursuant to Section 12(g) of the Act:

None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
YES ☒ NO ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act).
YES ☒ NO ☐

State the aggregate market value of the voting stock held by nonaffiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such stock, as of the last business day of the registrant's most recently completed second fiscal quarter: approximately \$735 million. On that date, Pharmacia Corporation (Pharmacia) owned 220 million shares, representing 84.2%, of the registrant's voting stock, and was deemed an affiliate of the registrant. On August 13, 2002, Pharmacia distributed these shares to its shareowners.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date: 261,420,308 shares of Common Stock, \$0.01 par value, outstanding at March 3, 2003.

Documents Incorporated by Reference

(1) Portions of Monsanto Company Annual Report to security holders for the fiscal year ended December 31, 2002 (Part I and Part II of Form 10-K). (2) Portions of Monsanto Company Notice of Annual Meeting and Proxy Statement dated March 13, 2003 (Part III of Form 10-K).

863790003

Relationships Among Monsanto Company, Pharmacia Corporation and Solutia Inc.

Prior to Sept. 1, 1997, a corporation that was then known as Monsanto Company ("Former Monsanto") operated an agricultural products business (the "Ag Business"), a pharmaceuticals and nutrition business (the "Pharmaceuticals Business") and a chemical products business (the "Chemicals Business"). Former Monsanto is today known as Pharmacia Corporation ("Pharmacia") and operates only the Pharmaceuticals Business. Our business consists of the operations, assets and liabilities that were previously the Ag Business. Solutia Inc. ("Solutia") comprises the operations, assets and liabilities that were previously the Chemicals Business. The following table sets forth a chronology of events that resulted in the formation of Monsanto, Pharmacia and Solutia as three separate, distinct and unaffiliated corporations and provides a brief background on the relationships among these three corporations.

Date of Event	Description of Event
Sept. 1, 1997	<ul style="list-style-type: none"> Pharmacia (then known as Monsanto Company) entered into a Distribution Agreement with Solutia related to the transfer of the operations, assets and liabilities of the Chemical Business from Pharmacia (then known as Monsanto Company) to Solutia. Pursuant to the Distribution Agreement, Solutia assumed and agreed to indemnify Pharmacia (then known as Monsanto Company) for certain liabilities related to the Chemicals Business.
Dec. 19, 1999	<ul style="list-style-type: none"> Pharmacia (then known as Monsanto Company) entered into an agreement with Pharmacia & Upjohn, Inc. ("PNU") relating to a merger (the "Merger").
Feb. 9, 2000	<ul style="list-style-type: none"> We were incorporated in Delaware as a wholly-owned subsidiary of Pharmacia (then known as Monsanto Company) under the name "Monsanto Ag Company."
Mar. 31, 2000	<ul style="list-style-type: none"> Effective date of the Merger. In connection with the Merger, (1) PNU became a wholly-owned subsidiary of Former Monsanto (now Pharmacia); (2) Former Monsanto changed its name from "Monsanto Company" to "Pharmacia Corporation"; and (3) we changed our name from "Monsanto Ag Company" to "Monsanto Company."
Sept. 1, 2000	<ul style="list-style-type: none"> We entered into a Separation Agreement with Pharmacia related to the transfer of the operations, assets and liabilities of the Ag Business from Pharmacia to us. Pursuant to the Separation Agreement, we agreed to indemnify Pharmacia for any liabilities primarily related to the Ag Business or the Chemicals Business, including any liabilities assumed by Solutia pursuant to the Sept. 1, 1997 Distribution Agreement, to the extent that Solutia fails to pay, perform or discharge those liabilities.

Date of Event	Description of Event
Oct. 23, 2000	<ul style="list-style-type: none"> We completed an initial public offering in which we sold approximately 15 percent of the shares of our common stock to the public. Pharmacia continued to own 220 million shares of our common stock.
Jul. 1, 2002	<ul style="list-style-type: none"> We, Pharmacia and Solutia entered into an agreement to provide that Solutia will indemnify us for the same liabilities for which it had agreed to indemnify Pharmacia under the Sept. 1, 1997 Distribution Agreement, and to clarify the parties' rights and obligations. We and Pharmacia entered into an agreement to clarify our respective rights and obligations relating to our indemnification obligations under the Sept. 1, 2000 Separation Agreement. We, Pharmacia and Solutia entered into the Abernathy Agreement regarding the Abernathy litigation described below.
Aug. 13, 2002	<ul style="list-style-type: none"> Pharmacia distributed the 220 million shares of our common stock that it owned to its shareowners via a tax-free stock dividend (the "Monsanto Spinoff"). As a result of the Monsanto Spinoff, Pharmacia no longer owns any equity interest in Monsanto.
Nov. 15, 2002	<ul style="list-style-type: none"> We, Pharmacia and Solutia entered into the Pennsylvania Agreement regarding the Pennsylvania litigation described below.

The liabilities for which we have agreed to indemnify Pharmacia, pursuant to the Sept. 1, 2000, Separation Agreement, include litigation, environmental, retiree and all other Pharmacia liabilities that were assumed by Solutia pursuant to the Sept. 1, 1997, Distribution Agreement. These include liabilities that were Pharmacia liabilities prior to the Sept. 1, 1997, spinoff of Solutia, and from which Pharmacia could not be released, either by operation of law, because of the unavailability of third-party consents, or otherwise. They include, for example, liabilities relating to litigation currently pending in state and federal court in Alabama, and in state court in Pennsylvania, referred to in Item 1 – Legal Proceedings and discussed below. In addition, Solutia assumed any liability that Pharmacia had with respect to certain unfunded post-retirement benefits for Pharmacia employees and former Pharmacia employees who were assigned to Solutia in connection with its spinoff. To the extent that Solutia encounters material liquidity or other financial constraints, the risk that it would be unable to pay, perform or discharge its assumed liabilities or to satisfy its indemnity obligations to Pharmacia, and that we would be called upon to do so, would increase.

Solutia is defending itself and Pharmacia in connection with *Sabrina Abernathy, et al. v. Monsanto Company, et al.*, currently pending in state court in Alabama. Solutia requested that Pharmacia commit to posting any appeal bond that may be required to stay execution of any judgment in this litigation pending an appeal. On July 1, 2002, we, Pharmacia and Solutia entered into an agreement (the "Abernathy Agreement"), providing

that, if Solutia does not post a bond sufficient to stay the execution of any judgment in the litigation pending an appeal, Pharmacia will post such a bond if it is able to do so on commercially reasonable terms. The Abernathy Agreement also specifies which party or parties would control any decisions regarding settlement of the Abernathy litigation, depending upon whether or not collateral must be provided to secure the bond and, if so, which party provides it. We have no obligation to post an appeal bond or provide any related collateral with respect to the Abernathy litigation. Under the Abernathy Agreement, the continued defense of the Abernathy litigation and the prosecution of any appeal will continue to be managed by Solutia, at Solutia's expense.

Solutia is defending itself and Pharmacia in a property damage suit in connection with *Commonwealth of Pennsylvania, Department of General Services, et al. v. United States Mineral Products, et al.*, currently pending in state court in Pennsylvania. The trial court entered judgment on Oct. 17, 2002, in the amount of \$59.5 million and Solutia has filed an appeal with the Pennsylvania Supreme Court. Under Pennsylvania law, a bond in the amount of 120 percent of the judgment, or \$71.4 million in this case, must be posted in order to stay execution of the judgment pending appeal of the judgment. Pharmacia and Solutia requested Monsanto's assistance to facilitate the posting of an appeal bond in this action. On Nov. 15, 2002, pursuant to an agreement with Pharmacia and Solutia dated that same date (the "Pennsylvania Agreement"), we posted the required appeal bond. Because the issuing surety required that we collateralize a portion of the appeal bond, we initially provided \$25 million in cash collateral, which was subsequently replaced with a \$25 million letter of credit. On Nov. 15, 2002, Solutia delivered a letter of credit to us in the amount of \$20 million, in order to secure a portion of our obligations in connection with the bond. Solutia also paid all of our out-of-pocket expenses in connection with obtaining the bond. Because we provided the collateral required to secure the appeal bond, the Pennsylvania Agreement gave us control of all decisions regarding settlement of this matter.

The Pennsylvania Agreement required that Solutia obtain a release of all of our obligations with respect to this appeal bond, and either secure a replacement bond or settle the litigation, within fifteen business days of the closing of an asset sale having an aggregate value of \$100 million or greater (the "Release Conditions"). The Release Conditions were triggered on Jan. 31, 2003, when Solutia announced that it had closed the sale of its resins, additives and adhesives businesses for \$500 million cash. On March 3, 2003, we, Pharmacia and Solutia entered into an amendment to the Pennsylvania Agreement, pursuant to which we agreed to extend the time for satisfying the Release Conditions until Nov. 30, 2003 (the "Extension Period"). Pursuant to this amendment, Solutia delivered to us an additional letter of credit in the amount of \$39.9 million as additional security for our obligations in connection with the appeal bond and paid all of our out-of-pocket expenses incurred in connection with the amendment. Pharmacia and we also agreed to return control of all decisions regarding settlement of this matter to Solutia during the Extension Period. As a result of the amendment, we are the beneficiary of two letters of credit in the aggregate amount of \$59.9 million, which secure a portion of our obligations in connection with the posting of the appeal bond. We do not believe that the appeal bond that we posted in November 2002 will have a material adverse effect on our financial position, profitability or liquidity.